PROJECT OVERSIGHT REPORT

Merchandising Business Systems Project (MBS)   **Report as of Date:**
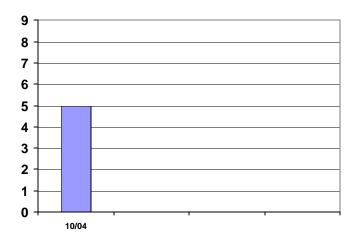**Washington State Liquor Control Board (WSLCB)**   October 2004

Project Director: Linda Bremer   **MOSTD Staff:** Andy Marcelia
Executive Sponsor: Pat Kohler

Severity/Risk Rating: High (high severity, high risk)   **Oversight:** Level 3 – ISB

Phase 2 Project Risk Assessment

Phase 1 Status: The goal of Phase 1 was to stabilize the point-of-sale (POS) system by moving the current application to the new POS equipment and install it in all state run stores by the first of October. This was accomplished as of October 7, 2004.

Phase 2 Staff Recommendations: ISB staff recommend completion of project plan, project schedule, new operational procedures, implementation schedule, and training plans as soon as possible to insure completion of Phase 2 by June 30, 2005.

ISB staff recommend the project budget and project risk assessments be kept up to date and reviewed at the weekly steering committee meeting to facilitate effective decision making and project support.

ISB staff recommend involving all divisions affected by Phase 2 in updating and using the communications plan to insure coordination of initiatives underway within the Washington State Liquor Control Board (WSLCB) and insure that the retail operations are prepared for Phase 2 changes.

Phase 2 Variances:
- Schedule: The project has not completed documenting the project plan and does not have a reliable, integrated master project schedule. The plan must be completed and an integrated project schedule must be developed by October 18 that includes all efforts required by the project. The integrated schedule will include all efforts of the WSLCB and its contractors performing this project.

- Budget/Cost: The MBS project was appropriated $6.5 million for the original hardware, software, and operations costs. The project is projecting to spend $7.6 million. The WSLCB will allocate other agency resources to cover the additional expenses.

- Scope: None.

- Resources: The agency has retained external contractor resources with appropriate project management and technical skills to complete the POS within the biennium. Staff issues caused by changing operational procedures at the stores and at headquarters require significant attention and preparation prior to implementation.

Risks/Mitigation Steps:
1. Schedule
   The project might not be completed by end of the biennium.

   Mitigation Tasks
   - Rhodes Consulting Services, Inc., has been retained to develop the overall project schedule.
   - The agreement with Triversity (POS software vendor) will be expanded to provide training for the retail staff and store implementation services.
   - IQ Solutions has been retained to design the data repository and develop the interfaces between the POS and the WSLCB financial applications.
   - The WSLCB will acquire middleware software for the interfaces.

2. Budget/Cost
   The MBS project has exceeded the original appropriations for design, development, implementation, and maintenance by $1.1 million.

   Mitigation Tasks
   - The WSLCB has prioritized additional financial resources within the agency in order to complete the project within the biennium.

3. Resources
   Staff resistance to change of work processes.

   Mitigation Tasks
   - The WSLCB will retain a 'change agent' to develop approaches that will address staff concerns and secure their support.

Project Description: Since termination of the original contract with GERS (formerly General Electric Retail Systems), the WSLCB has identified the POS replacement as the highest priority for the agency and has set a goal to have the new POS equipment operational in all state run stores by October 2004. Phase 1 applied the current application to the new POS equipment and installed it in all state run stores. The objective for Phase 2, by June 2005, is to install the Triversity POS application at each state run store and develop and implement new interfaces to WSLCB's current business applications.

Background Information

Description: The 2001 Legislature authorized the WSLCB to replace its POS software with a commercially available product capable of managing and supporting the agency's retail business. These business activities include procurement (timely sales and marketing data), distribution (electronic tracking of shipping and handling), wholesale and special orders, and POS in the 161 state liquor stores. The contract agent stores are not included in the project.

The WSLCB selected GERS a leading supplier of merchandising, point-of-sale, and e-business solutions for retailers with more than 400 systems installed. Following failure to pass user

acceptance testing criteria the WSLCB terminated its contract with GERS for default effective November 24, 2003. The WSLCB stopped all work with GERS on the MBS project at that time. The WSLCB immediately began exploring alternatives to address its POS and business information systems needs. The WSLCB has met the goal of having new POS equipment operational in all state run stores by October 2004. Phase 2 will implement the Triversity POS application by June 2005.

Due to their information systems' age and obsolescence, the WSLCB's merchandising systems represent a major exposure to the agency's ability to perform its core mission.

Technology: Under the agreement with GERS the WSLCB purchased industry standard IBM cash registers and related POS equipment and the Triversity POS application.

Budget: The appropriation for this project was $4,802,720. In addition, $1.3 million proviso in operation funds for the new system and $418,000 in software maintenance funds were added to the project budget. An additional $1.1 million from other sources within the agency have been added to cover project expenses, bringing the investment cost to $7.6 million.

At the point of the contract cancellation, the GERS contract cost $3 million and provided the POS hardware and POS software. Additional resources totaling $4.6 million (including current encumbrances of $1.5 million) are required to implement the new POS system for software licenses, and contractors for project management, project development, testing, training, and implementation support.